



# Macquarie Infrastructure Group

## Aggregated Management Report For the Half Year Ended 31 December 2005

The Aggregated Management Report should be read in conjunction with the Interim Financial Report of Macquarie Infrastructure Group.

Macquarie Infrastructure Group (MIG) comprises Macquarie Infrastructure Trust (I) ARSN 092 863 780 (MIT(I)), Macquarie Infrastructure Trust (II) ARSN 092 863 548 (MIT(II)) and Macquarie Infrastructure Group International Limited ARBN 112 684 885 (MIGIL).

Macquarie Infrastructure Investment Management Limited ACN 072 609 271 (MIIML) is the responsible entity of MIT(I) and MIT(II). MIIML is a wholly owned subsidiary of Macquarie Bank Limited ACN 008 583 542.

Macquarie Investment Management (UK) Limited (MIM UK) registered number 3976881 is the adviser of MIGIL. MIM UK is a wholly owned subsidiary of MBL.

Investments in MIG are not deposits with or other liabilities of MBL, or any entity in the Macquarie Bank Group and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither MBL, nor any member of the Macquarie Bank Group, including MIIML and MIM UK, guarantees the performance of MIG, the repayment of capital or the payment of a particular rate of return on MIG stapled securities.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in MIG, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

MIIML, as responsible entity of the trusts comprised by MIG and MIM UK as the adviser for MIGIL are entitled to fees for so acting. MBL and its related corporations (including MIIML and MIM UK) together with their officers and directors and officers and directors of MIGIL may hold stapled securities in MIG from time to time.

Aggregated financial statements combine the consolidated financial statements of MIT(I), MIT(II) and MIGIL, excluding the Balance Sheet and Income Statement of the controlled entities Airport Motorway Group, Statewide Roads Limited, San Diego Expressway Limited Partnership, Toll Road Investors Partnership II LLP and Midland Expressway Limited for the half year ended 31 December 2005.

The accounting policies adopted in preparing this report are consistent with the interim financial report except for the full application of AASB118: Revenue, AASB119: Employee Benefits, AASB121: The Effects of Changes in Foreign Exchange Rates, AASB127: Consolidated Accounts, AASB132: Financial Instruments: Disclosure and Presentation and AASB139: Financial Instruments: Recognition and Measurement. This aggregated management report has been derived from the interim financial report for the half year ended 31 December 2005. The interim financial report and auditor's report will be sent to security holders on request, free of charge. Please call Computershare Investor Services Pty Limited on 1800 000 982 and a copy will be forwarded to you.

The aggregated management report cannot be expected to provide as full an understanding of the Income Statement, Balance Sheet and financing and investing activities of MIG as the interim financial report.

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## Aggregated Income Statement

|   | 6 months to<br>31 Dec 2005<br>\$'000 | 6 months to<br>31 Dec 2004<br>\$'000 |
|---|--------------------------------------|--------------------------------------|
| <b>Revenue from ordinary activities</b>   |                                      |                                      |
| <b>Revaluation of investments</b>   |                                      |                                      |
| Stapled securities in Hills Motorway Group  | -                                    | 15,675                               |
| Stapled securities in Transurban Group  | (17,805)                             | -                                    |
| Shares in Statewide Roads Limited   | (7,707)                              | (2,470)                              |
| Shares in Interlink Roads Pty Limited   | 23,607                               | 47,381                               |
| Shares in Transtoll Australia Pty Limited   | 1,783                                | 672                                  |
| Investment in Airport Motorway Group  | 17,688                               | 100,318                              |
| Investment in Westlink Motorway Group   | 115,853                              | 34,162                               |
| Investment in San Diego Expressway Limited Partnership  | 8,245                                | 37,488                               |
| Shares in Skyway Concession Company Holdings LLC  | 99,176                               | -                                    |
| Loans and options over Toll Road Investors Partnership II LLP   | 13,205                               | -                                    |
| Investment in 407 International Inc.  | 452,498                              | 226,508                              |
| Investment in Midland Expressway Limited  | 98,435                               | 380,646                              |
| Investment in Connect M1-A1 Limited   | -                                    | (3,109)                              |
| Investment in Lusoponte Concessionária para a Travessia do Tejo S.A.  | 16,923                               | 28,241                               |
| Partnership interest in Warnowquerung GmbH & Co. KG   | -                                    | -                                    |
| Foreign exchange effects of revaluations  | 264,595                              | (227,618)                            |
|   | <b>1,086,496</b>                     | <b>637,894</b>                       |
| <b>Income from investments</b>  |                                      |                                      |
| Distribution and dividend income  | 42,476                               | 29,963                               |
| Interest income   | 68,124                               | 47,030                               |
| Loss on sale of Cintra  | -                                    | (4,909)                              |
| Profit on sale of Connect M1-A1   | -                                    | 56,884                               |
|   | <b>110,600</b>                       | <b>128,968</b>                       |
| <b>Other revenue</b>  |                                      |                                      |
| Foreign exchange gain   | 5,802                                | 14,559                               |
| Management and secondment fees  | 466                                  | 1,186                                |
| Other income  | 1,942                                | -                                    |
|   | <b>8,210</b>                         | <b>15,745</b>                        |
| <b>Total revenue from ordinary activities</b>   | <b>1,205,306</b>                     | <b>782,607</b>                       |
| <b>Expenses</b>   |                                      |                                      |
| Responsible Entity's and Adviser's base fees  | (48,244)                             | (39,579)                             |
| Employment costs  | (223)                                | (1,235)                              |
| Borrowing costs expense   | (20,229)                             | (28,621)                             |
| Consulting expenses   | (1,977)                              | (596)                                |
| Other operating expenses  | (11,159)                             | (12,259)                             |
| Revaluation of Airport Motorway Trust debenture   | 1,610                                | (2,450)                              |
| <b>Total operating expenses from ordinary activities</b>  | <b>(80,222)</b>                      | <b>(84,740)</b>                      |
| <b>Net result from ordinary activities before income tax expense</b>  | <b>1,125,084</b>                     | <b>697,867</b>                       |
| Income tax benefit  | 142,763                              | 110,097                              |
| <b>Net result from ordinary activities after income tax expense attributable to security holders of MIG</b> | <b>1,267,847</b>                     | <b>807,964</b>                       |

The above Aggregated Income Statement should be read in conjunction with the basis of preparation note

## Aggregated Balance Sheet

|   |   | As at<br>31 Dec 2005<br>\$'000 | As at<br>30 Jun 2005<br>\$'000 |
|---|---|--------------------------------|--------------------------------|
| <b>Current assets</b>                       |   |                                |                                |
| Cash and cash equivalents                   |   | 1,074,050                      | 1,082,268                      |
| Receivables                                 |   | 75,192                         | 90,330                         |
| Prepayments                                 |   | 4,613                          | 675                            |
| Other assets                                |   | 28,988                         | 620                            |
| <b>Total current assets</b>                 |   | <b>1,182,843</b>               | <b>1,173,893</b>               |
| <b>Non-current assets</b>                   |   |                                |                                |
| Investments in financial assets             | 2 | 9,746,762                      | 8,014,806                      |
| Other assets                                |   | 992                            | 32,205                         |
| <b>Total non-current assets</b>             |   | <b>9,747,754</b>               | <b>8,047,011</b>               |
| <b>Total assets</b>                         |   | <b>10,930,597</b>              | <b>9,220,904</b>               |
| <b>Current Liabilities</b>                  |   |                                |                                |
| Payables                                    |   | 57,212                         | 127,861                        |
| Distribution payable                        |   | 240,550                        | 297,673                        |
| Current tax liabilities                     |   | 199                            | 351                            |
| Other liabilities                           |   | 28,368                         | -                              |
| <b>Total current liabilities</b>            |   | <b>326,329</b>                 | <b>425,885</b>                 |
| <b>Non-Current Liabilities</b>              |   |                                |                                |
| Interest-bearing financial liabilities      |   | 471,462                        | 453,359                        |
| Deferred tax liabilities                    |   | 1,076,862                      | 1,217,062                      |
| Other liabilities                           |   | 1,170                          | 31,690                         |
| <b>Total non-current liabilities</b>        |   | <b>1,549,494</b>               | <b>1,702,111</b>               |
| <b>Total liabilities</b>                    |   | <b>1,875,823</b>               | <b>2,127,996</b>               |
| <b>Net assets</b>                           |   | <b>9,054,774</b>               | <b>7,092,908</b>               |
| <b>Equity</b>                               |   |                                |                                |
| MIG Security Holders' Interest              |   |                                |                                |
| Contributed equity                          |   | 7,742,577                      | 7,063,559                      |
| Reserves                                    |   | (3,212,241)                    | (3,467,792)                    |
| Retained profits                            | 3 | 4,524,438                      | 3,497,141                      |
| <b>Total MIG security holders' interest</b> |   | <b>9,054,774</b>               | <b>7,092,908</b>               |
| <b>Total equity</b>                         |   | <b>9,054,774</b>               | <b>7,092,908</b>               |

The above Aggregated Balance Sheet should be read in conjunction with the basis of preparation note

## Aggregated Cash Flow Statement

|   | 6 months to<br>31 Dec 2005<br>\$'000 | 6 months to<br>31 Dec 2004<br>\$'000 |
|---|--------------------------------------|--------------------------------------|
| <b>Cash flow from operating activities</b>                    |                                      |                                      |
| Interest received   | 64,785                               | 35,681                               |
| Management and secondment fees received                       | 75                                   | 1,604                                |
| Indirect taxes received                                       | 16,816                               | 5,142                                |
| Payments to suppliers and employees (inclusive of GST)        | (10,749)                             | (7,072)                              |
| Responsible Entity and Advisor base fees paid                 | (36,024)                             | (44,584)                             |
| Responsible Entity and Advisor performance fees paid          | (9,465)                              | (857)                                |
| Distributions and dividends received                          | 56,322                               | 49,108                               |
| Income taxes paid   | (18)                                 | -                                    |
| Other income received   | 28                                   | 1,557                                |
| <b>Net cash flows from operating activities</b>               | <b>81,770</b>                        | <b>40,579</b>                        |
| <b>Cash flows from investing activities</b>                   |                                      |                                      |
| Proceeds from repayments of interest bearing financial assets | 2,810                                | 1,510                                |
| Proceeds from sale of Cintra                                  | -                                    | 1,738,835                            |
| Proceeds from sale of Connect M1-M4                           | -                                    | 104,040                              |
| Proceeds from return of capital from Skyway                   | 221,729                              | -                                    |
| Payments for purchase of investments, net of cash acquired    | (869,792)                            | (537)                                |
| <b>Net cash flows from investing activities</b>               | <b>(645,252)</b>                     | <b>1,843,848</b>                     |
| <b>Cash flows from financing activities</b>                   |                                      |                                      |
| Proceeds from issue of securities                             | 778,453                              | -                                    |
| Costs of raising capital                                      | (7,473)                              | -                                    |
| Distributions paid  | (297,672)                            | (72,395)                             |
| Borrowing costs paid  | (5,326)                              | (914)                                |
| DRP proceeds received   | 71,994                               | 15,445                               |
| <b>Net cash flows from financing activities</b>               | <b>539,976</b>                       | <b>(57,864)</b>                      |
| <b>Net increase in cash assets held</b>                       | <b>(23,506)</b>                      | <b>1,826,563</b>                     |
| Cash assets at the beginning of the year                      | 1,082,268                            | 325,447                              |
| Exchange rate movements                                       | 15,288                               | (29,547)                             |
| <b>Cash assets at the end of the year</b>                     | <b>1,074,050</b>                     | <b>2,122,463</b>                     |

The above Aggregated Cash Flow Statement should be read in conjunction with the basis of preparation note

## Notes to the Aggregated Management Report

### 1 Summary of Significant Accounting Policies

#### (a) Aggregated Accounts

The units of Macquarie Infrastructure Trust (I) (MIT(I)), the units of Macquarie Infrastructure Trust (II) (MIT(II)) and the shares of Macquarie Infrastructure Bermuda Limited (MIBL) were combined and issued as stapled securities in Macquarie Infrastructure Group (MIG). On 21 November 2005, MIBL had its name changed to Macquarie Infrastructure Group International Limited (MIGIL or the Company) following approval by MIG security holders. The units of the Trusts and shares of the Company cannot be traded separately and can only be traded as stapled securities. None of the entities has acquired or controls the others.

This management report has been prepared as a set of aggregated financial statements combining the consolidated financial statements of MIT(I), MIT(II) and MIGIL (adjusted to Australian Accounting Standards) and excluding the financial position and performance of the controlled entities Airport Motorway Group (AMG), Statewide Roads Limited (SWR), San Diego Expressway Limited Partnership (SDELP), Toll Road Investors Partnership II LLP (TRIP II) and Midland Expressway Limited (MEL) for the half year ended 31 December 2005.

This management report should be read in conjunction with the interim Financial Reports of MIT(I), MIT(II), MIGIL and MIG.

#### (b) Basis of Preparation

This management report does not, and cannot be expected to, provide as full an understanding of the Income Statement, Balance Sheet and financing and investing activities of MIG as the Interim Financial Report. The accounting policies adopted in preparing this report are consistent with the Interim Financial Report except for the full application of AASB118: Revenue, AASB119: Employee Benefits, AASB121: The Effects of Changes in Foreign Exchange Rates, AASB127: Consolidated and Separate Financial Statements, AASB132: Financial Instruments: Disclosure and Presentation and AASB139: Financial Instruments: Recognition and Measurement. As a result of the non-application of AASB127 in relation to AMG, SWR, SDELP, TRIP II and MEL, the accounting policy adopted for all investments in this management report is:

##### **Investments**

Investments are revalued at each reporting date to their net market values. Changes in the net market values of investments (both positive and negative) have been recognised in investment revenue from ordinary activities as shown in the Income Statement for the year.

Investments have been brought to account as follows:

##### **— Interests in listed securities in companies and trusts**

Listed interests in companies and trusts are brought to account at net market value, after deducting selling costs and allowing for any specific risks or circumstances such as liquidity risk, credit risk, or escrow periods. Dividends and other distributions are recognised in the Income Statement when receivable.

##### **— Interests in unlisted securities in companies and trusts**

Unlisted interests in companies and trusts are brought to account at the directors' estimates of net market value determined in accordance with either a discounted cash flow analysis, option pricing model, or by reference to the current market value of substantially similar interests, as appropriate. Dividends and other distributions are recognised in the Income Statement when receivable.

##### **— Interests in financial assets**

Interest in interest bearing public and other debt securities are brought to account at net market value. Adjustments to the net market value of public and other debt securities are recognised in the Income Statement. Other interest bearing financial assets are accounted for on an accruals basis.

Investment acquisition costs are capitalised into the value of the investment at the time of purchase. Additions and other expenditure on investments which are capital in nature are capitalised as incurred.

# Aggregated Management Report

For the half year ended 31 December 2005

## 1 Summary of Significant Accounting Policies (cont'd)

### (c) Review

This report was prepared for Macquarie Infrastructure Investment Management Limited, the responsible entity of MIT(I) and MIT(II) and has been subject to review by PricewaterhouseCoopers in accordance with the basis of preparation set out above.

## 2 Investments

|  | Balance at<br>30 June<br>2005<br>\$'000 | Investments<br>\$'000 | Divestments/<br>Repayments<br>\$'000 | Foreign<br>Exchange<br>Effects<br>\$'000 | Revaluations<br>\$'000 | Balance at<br>31 Dec<br>2005<br>\$'000 |
|--|---|-----------------------|--------------------------------------|--|------------------------|--|
| <b>Interests in listed securities in companies and trusts</b>                                    |   |                       |                                      |  |                        |  |
| Stapled securities in Transurban Group   | 156,059                                 | -                     | -                                    | -  | (17,805)               | <b>138,254</b>                         |
|  | 156,059                                 | -                     | -                                    | -  | (17,805)               | <b>138,254</b>                         |
| <b>Interests in unlisted securities in companies and trusts</b>                                  |   |                       |                                      |  |                        |  |
| Shares in Statewide Roads Limited (M4 Motorway) <b>Note (i)</b>                                  | 69,923                                  | -                     | -                                    | -  | (7,707)                | <b>62,216</b>                          |
| Shares in Interlink Roads Pty Limited (M5 Motorway)  | 540,783                                 | -                     | -                                    | -  | 23,607                 | <b>564,390</b>                         |
| Shares in Transtoll Pty Limited <b>Note (i)</b>  | 5,183                                   | -                     | -                                    | -  | 1,783                  | <b>6,966</b>                           |
| Investment in Airport Motorway Group (Eastern Distributor (M1)) <b>Note (ii)</b>                 | 770,183                                 | -                     | -                                    | -  | 17,688                 | <b>787,871</b>                         |
| Shares in Skyway Concession Company Holdings LLC (Skyway) <b>Note (iii)</b>                      | 603,199                                 | -                     | (221,730)                            | 13,980                                   | 99,176                 | <b>494,625</b>                         |
| Investment in San Diego Expressway LP (South Bay Expressway)                                     | 208,368                                 | 42                    | -                                    | 7,544                                    | 8,245                  | <b>224,199</b>                         |
| Loans and options over Toll Road Investors Partnership II LLP (Dulles Greenway) <b>Note (iv)</b> | -                                       | 822,610               | -                                    | 18,382                                   | 13,205                 | <b>854,197</b>                         |
| Investment in 407 International Inc (407 ETR) <b>Note (v)</b>                                    | 2,549,699                               | -                     | -                                    | 234,017                                  | 452,498                | <b>3,236,214</b>                       |
| Shares in Midland Expressway Limited (M6 Toll) <b>Note (vi)</b>                                  | 2,072,543                               | -                     | -                                    | (10,728)                                 | 98,435                 | <b>2,160,250</b>                       |
| Shares in Lusoponte Concessionária para a Travessia do Teio SA (Tagus Bridges)                   | 236,633                                 | -                     | (2,810)                              | 3,173                                    | 16,923                 | <b>253,919</b>                         |
| Partnership interest in Warnow queuing GmbH & Co. KG (Warnow Tunnel)                             | -                                       | -                     | -                                    | -  | -                      | -                                      |
|  | 7,056,514                               | 822,652               | (224,540)                            | 266,368                                  | 723,853                | <b>8,644,847</b>                       |
| <b>Interest bearing financial assets and accrued interest</b>                                    |   |                       |                                      |  |                        |  |
| Investment in Westlink Construction phase Loan Notes <b>Note (vii)</b>                           | 459,343                                 | -                     | (459,343)                            | -  | -                      | -                                      |
| Investment in Westlink Subordinated Loan Notes <b>Note (vii)</b>                                 | -                                       | 506,693               | -                                    | -  | 115,853                | <b>622,546</b>                         |
| Loans to Midland Expressway Limited <b>Note (vi)</b>   | 342,890                                 | -                     | -                                    | (1,775)                                  | -                      | <b>341,115</b>                         |
|  | 802,233                                 | 506,693               | (459,343)                            | (1,775)                                  | 115,853                | <b>963,661</b>                         |
| <b>Total investments</b>   | <b>8,014,806</b>                        | <b>1,329,345</b>      | <b>(683,883)</b>                     | <b>264,593</b>                           | <b>821,901</b>         | <b>9,746,762</b>                       |

# Aggregated Management Report

For the half year ended 31 December 2005

## 2 Investments (cont'd)

### Notes

#### (i) M4 Motorway

MIG's total interest in Statewide Roads Limited includes Statewide Roads Limited is 40.5% interest in Transtoll Pty Limited.

#### (ii) Eastern Distributor

|   | As at<br>31 Dec 2005<br>\$'000 | As at<br>30 Jun 2005<br>\$'000 |
|---|--------------------------------|--------------------------------|
| <b>Airport Motorway Group</b>   |                                |                                |
| Investment in Airport Motorway Group  | 787,871                        | 770,183                        |
| Debentures at present value (included within receivables in the Aggregated Balance Sheet) | 62,083                         | 75,753                         |
| Total interest in Airport Motorway Group  | <b>849,954</b>                 | 845,936                        |

#### (iii) Refinancing of Skyway

On 17 August 2005, MIG announced the refinancing of debt in relation to Skyway. The refinancing resulted in the issue of US\$1.6 billion (A\$2.2 billion) of new debt facilities to replace the existing facilities of US\$1.0 billion (A\$1.4 billion). The refinancing structure provided an immediate return of US\$168.2 million (\$221.7 million) of cash to MIG.

#### (iv) Acquisition of Dulles Greenway

MIG reached financial close on its investment in the Dulles Greenway toll road in Virginia on 9 September 2005.

At that time, MIG invested US\$531.7 million (\$710.7 million) to acquire the General Partner, Shendandoah Greenway Corporation and to provide loans to Shendandoah Holdings LLC (SHLLC) and AEI Holdings LLC (AIEHLLC). SHLLC and AIEH own a combined interest of 86.6% of Toll Road Investors Partnership II LLP (TRIP II) via their ownership of limited partners Shendandoah I LLC, Shendandoah II LLC and AIE LLC. Two long-dated call options are exercisable by MIG Investments 2 (US) LLC, a subsidiary of MIT(II), in respect of the issued shares in SHLLC and AIEHLLC respectively.

On the 29 September 2005, MIG acquired a further 13.3% interest in TRIP II from Kellogg, Brown and Root (KBR) for US\$84.5 million (A\$112.0 million) via MIG Investments 2 (US) LLC. Following the completion of the KBR acquisition, MIG held a 100% economic interest in Dulles Greenway.

#### (v) 407 ETR valuation

In October 2003, a new government was elected in the Province of Ontario (Province), Canada, with an election campaign statement that it intended to "roll back" tolls on the 407 ETR. In December 2003, the concession company gave notice of a one cent per kilometre (approximately 7.7%) increase in tolls effective 1 February 2004. In January 2004, the Government stated that it opposed the increase, on the basis that its consent was required prior to any toll increase, and that it intended to invoke the concession contract's dispute resolution process. The Government has also disputed the concession company's interpretation of the Province's obligations in respect of Plate Denial and the establishment of Base Year under the concession agreement. It seems likely that these disputes will continue for some time as the dispute resolution process is pursued to completion.

407 ETR and MIG have legal advice in relation to interpretation of the concession contract and believe that the concession company's position on each of these issues is strong.

Following an independent Arbitrator's decision in favour of 407 ETR on all issues put before him on 10 July 2004, the Province lodged an appeal. On 6 January 2005, the Ontario Superior Court of Justice ruled in favour of 407 ETR and dismissed the appeal. On 13 June 2005, the Ontario Court of Appeal gave the Province leave to appeal the decision of the Ontario Superior Court of Justice.

# Aggregated Management Report

For the half year ended 31 December 2005

## 2 Investments (cont'd)

### (v) 407 ETR valuation (cont'd)

The concession company has taken action to expedite resolution of the other matters under dispute. On 16 August 2005, an independent panel of Arbitrators ruled that the conditions required to establish 2002 as the Base Year were achieved. The achievement of Base Year permits 407 ETR to raise tolls above the toll threshold without incurring congestion payments to the province as long as traffic thresholds are met. 407 ETR designated Base Year in 2002 and has operated accordingly since that time. On 15 September 2005, the Province of Ontario served 407 ETR with a notice to appeal this arbitration decision.

MIG's valuation of 407 ETR assumes that the concession company has the right to set toll levels throughout the concession without seeking the consent of the Government of Ontario. The directors of the Responsible Entity believe that this approach is appropriate, as it is consistent with their view of the contract terms, 407 ETR's experience in relation to four previous toll increases since privatisation in 1999, legal advice provided to MIG and both the independent Arbitrators' decisions and the decision of the Ontario Superior Court.

If the Province were to succeed in requiring that toll levels on 407 ETR be reduced or that future toll increases be limited, MIG's valuation of 407 ETR would be materially reduced.

### (vi) M6 Toll

MIG's total interest in the M6 Toll comprises shares and a loan. Accordingly, MIG's total interest in M6 Toll is valued as follows:

|                           | As at<br>31 Dec 2005<br>\$'000 | As at<br>30 Jun 2005<br>\$'000 |
|---------------------------|--------------------------------|--------------------------------|
| <b>M6 Toll</b>            |                                |                                |
| Shares in M6 Toll         | 2,160,250                      | 2,072,543                      |
| Loan to M6 Toll           | 341,115                        | 342,890                        |
| Total interest in M6 Toll | <u>2,501,365</u>               | <u>2,415,433</u>               |

### (vii) MIG's investment in Westlink M7 stapled securities

At completion of construction of the Westlink M7 on 16 December 2005, there was a mandatory redemption of Construction phase Loan Notes (CLNs) of \$459.3 million with a mandatory reinvestment for the same amount in Subordinated Loan Notes (SLNs) issued by the Westlink Motorway Partnership. SLNs are debt instruments that accrue interest on a quarterly basis. Interest payments are only able to be made under the provisions of the Loan Note Subscription Agreement. Interest payments are not expected to be made during the first 21 months of operation of the Westlink M7. The interest rate applicable to the SLNs is 11.9% per annum.

On 16 December 2005, MIG exercised its fixed price option to acquire an additional 5.0% equity interest in Westlink M7. This interest was held by Abigroup Limited (2.5%) and Leighton Holdings Limited (2.5%).

Abigroup Limited and Leighton Holdings Limited hold a total interest of 10.0% in Westlink M7, over which MIG and Transurban Group have pre-emptive rights. MIG now holds a 45.0% direct stake and a 1.3% indirect stake (through MIG's investment in Transurban) in Westlink M7.

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### 3 Retained Profits

|   | As at<br>31 Dec 2005<br>\$'000 | As at<br>30 Jun 2005<br>\$'000 |
|---|--------------------------------|--------------------------------|
| Balance at the beginning of the period          | 3,497,141                      | 2,675,041                      |
| Net result attributable to MIG security holders | 1,267,847                      | 1,316,612                      |
| Transfer from contributed equity                | -                              | 782,409                        |
| Distributions paid and proposed                 | (240,550)                      | (1,276,921)                    |
| Balance at the end of the period                | 4,524,438                      | 3,497,141                      |

### 4 Asset Backing per Stapled Security

|   | As at<br>31 Dec 2005<br>\$'000 | As at<br>30 Jun 2005<br>\$'000 |
|---|--------------------------------|--------------------------------|
| <b>Net asset backing of each stapled security</b>                       |                                |                                |
| Net asset backing of each stapled security before deferred tax balances | 4.21                           | 3.84                           |
| Net asset backing of each stapled security after deferred tax balances  | 3.76                           | 3.28                           |
|   | Number of securities<br>'000   | Number of securities<br>'000   |
| Number of stapled securities on issue                                   | 2,405,497                      | 2,164,890                      |